

Prepared Statement of

Michael J. Zacchea

LtCol USMC (ret)

For the

General Assembly

State of Connecticut

Hearing on HB-6370

AAC THE ESTABLISHMENT OF A TASK FORCE

TO EXAMINE THE CREATION OF A

VETERANS TREATMENT PILOT PROGRAM

Tuesday, Feb 17th, 2015

Contact Information:

Michael J. Zacchea
57 Merwin Brook Rd
Brookfield CT 06804

Phone: 203-546-8507

E-mail:

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

Ladies and Gentlemen of the General Assembly of the State of Connecticut, thank you for this chance to speak on behalf of the CT Veterans Chamber of Commerce in support of House Bill 6370 Concerning the Establishment of a Task Force to Examine the Creation of a Veterans Treatment Pilot Program.

I am a combat-wounded, medically retired, disabled veteran of five combat operations and expeditions, over a career of more than 13 years on active duty, and an additional 3 years in the reserves. For legal purposes, the Department of Veterans Affairs¹, considers anyone who has served on active duty since August 2nd, 1990 to be a Gulf War veteran. In short, for legal purposes, our nation has been continuously engaged in a war in the Middle East since 1990.

There are approximately 21 million veterans in our country. More than 2.8 million veterans have served in the military since 9/11, more than 2 million of those have served "down-range" in theaters in Iraq, Afghanistan, and north Africa². More than 1.4 million have served more than one tour of duty in combat, an important predictor of Post-Traumatic Stress. More than 1 million have sought treatment through the VA; more than 969,000 have made disability compensation claims; more than 875,000 have been awarded disability compensation.

Across the nation, some 700,000 veterans are incarcerated, that is, 3.3% of the total. An article published in *Psychiatric Services in Advance* (Volume 64 Issue 1 Jan 2013) entitled *Risk of Incarceration and Other Characteristics of*

¹ <http://www.benefits.va.gov/persona/veteran-gulfwar.asp> "More than 650,000 Service members served in Operation Desert Shield and Desert Storm from August 2, 1990 to July 31, 1991. For VA benefits eligibility purposes, the Gulf War period is still in effect. This means that anyone who served on active duty from August 2, 1990, to present is considered a Gulf War Veteran. For example, the Veterans Pension benefit requires service during a wartime period. Therefore, any Veteran who served on active military service for any period from August 2, 1990, to the present meets the wartime service requirement."

² Veterans for Common Sense www.veteransforcommonsense.org FOIA request "VA Benefits Activity Through Mar 2014"

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

*Iraq and Afghanistan Era Veterans in State and Federal Prisons*³ studied more than 30,968 incarcerated veterans, of which 1,201 (3.9%) were post 9/11 veterans. The study concludes that members of the current generation of combat veterans are less likely to be incarcerated, those that are incarcerated are more likely to have experienced combat, and three times more likely to have a diagnosis of PTSD/TBI. This study implies that court-intervention and treatment may be more appropriate.

The third and fifth leading disability conditions for post 9/11 veterans are PTSD (23%) and TBI (17%)⁴; at the same time, data indicates 1 out of 6 post 9/11 veterans has a substance abuse problem. An article entitled *Association of Substance Use and VA Service-Connected Disability Benefits with Risk of Homelessness among Veterans* found that the leading cause of veteran homelessness is illicit drug use, followed by pathological gambling and alcohol abuse. The connection between substance abuse, involvement with the judicial system, and homelessness is made explicitly in the paper *Closing a Front Door to Homelessness among Veterans*⁵. Former Army Chief of Staff and Secretary of the VA General Eric Shinseki summed it up best, "The number one predictor of future homelessness among veterans is a history of incarceration"⁶.

The Veterans Treatment Court model requires regular court appearances, as well as mandatory attendance at treatment sessions and frequent and random testing for substance use. Veterans respond favorably to this structured environment given their past experiences in the Armed Forces. However, a few

³ Accessed here <http://ps.psychiatryonline.org/doi/abs/10.1176/appi.ps.201200188>

⁴ Veterans for Common Sense www.veteransforcommonsense.org FOIA request "VA Benefits Activity Through Mar 2014"

⁵ Accessed here http://www.va.gov/homeless/ssvf/?page=/practice_areas_and_resources/overview/research

⁶ Remarks made at the Veterans Court Conference in 2012 accessed here <http://www.nextgov.com/defense/2013/12/va-and-defense-chiefs-confront-reality-700000-incarcerated-veterans/74816/>

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

will struggle and it is exactly those veterans who need a Veterans Treatment Court program the most. Without this structure, these veterans will reoffend and remain in the criminal justice system. The Veterans Treatment Court is able to ensure they meet their obligations to themselves, the court, and their community.

In conclusion due to the expected wave of veterans being down-sized from the military in the next 5 years, and given previously cited rates of PTSD and TBI, the state of Connecticut would be well-served to establish a Task Force comprised of leaders in the veteran and legal communities to examine establishing a veterans' treatment court.

Prepared Statement of

Michael J. Zacchea

LtCol USMC (ret)

For the

General Assembly

State of Connecticut

Hearing on SB-520

AAC MILITARY RETIREMENT PAY

Tuesday, Feb 17th, 2015

Contact Information:

Michael J. Zacchea
57 Merwin Brook Rd
Brookfield CT 06804

Phone: 203-546-8507

E-mail:

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

Ladies and Gentlemen of the General Assembly of the State of Connecticut, thank you for this chance to speak on behalf of the Connecticut Veterans Chamber of Commerce in support of Senate Bill 520 AAC Concerning Military Pay, to increase the tax exemption for military retirees living in our state, to 100%.

I am a combat-wounded, medically retired, disabled veteran of five combat operations and expeditions, over a career of more than 13 years on active duty, and an additional 3 years in the reserves. The United States Congress last authorized the award of the National Defense Service Medal under Title 32 578.23 for service starting on Sept 11th, 2001¹. For legal purposes, the Department of Veterans Affairs², considers anyone who has served on active duty since August 2nd, 1990 to be a Gulf War veteran. In short, for legal purposes, our nation has been continuously engaged in a war in the Middle East since 1990.

According to the 2010 census, our state has more than 217,000 veterans³. According to the Small Business Administration publication *Veteran-Owned Businesses and their Owners - Data from the Census Bureau's Survey of Business Owners*⁴ published in 2012, our state has more than 31,000 full-

¹ Title 32 National Defense 578.23 <http://www.gpo.gov/fdsys/pkg/CFR-2008-title32-vol3/xml/CFR-2008-title32-vol3-sec578-23.xml> (a) Criteria. The National Defense Service Medal (NDSM) was established by Executive Order 10448, April 22, 1953, as amended by Executive Order 11265, January 11, 1966 and Executive Order 12776, October 18, 1991. It is awarded for honorable active service for any period between June 27, 1950 and July 27, 1954, both dates inclusive; between January 1, 1961 and August 14, 1974, both dates inclusive; between August 2, 1990 and November 30, 1995, both dates inclusive; and from September 11, 2001 to a date to be determined.

² <http://www.benefits.va.gov/persona/veteran-gulfwar.asp> "More than 650,000 Service members served in Operation Desert Shield and Desert Storm from August 2, 1990 to July 31, 1991. For VA benefits eligibility purposes, the Gulf War period is still in effect. This means that anyone who served on active duty from August 2, 1990, to present is considered a Gulf War Veteran. For example, the Veterans Pension benefit requires service during a wartime period. Therefore, any Veteran who served on active military service for any period from August 2, 1990, to the present meets the wartime service requirement."

³ <http://quickfacts.census.gov/qfd/states/09000.html>

⁴ Accessed at <https://www.sba.gov/sites/default/.../393tot.pdf>

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

veteran-owned businesses, and more than 11,000 partially veteran-owned businesses. CT veteran-owned businesses produce nearly \$20 Billion of our state's gross product. Our state's ratio of veteran-owned-businesses to veterans is roughly 5.1:1 - one of the best ratios in the country.

There are approximately 21 million veterans in our country. CT accounts for 1% of the total. Of the some 217,000 veterans in our state, approximately 13% are from the greatest generation, those veterans who served in WW II and Korea. That is the highest percentage of that demographic in the nation. Conversely, approximately 6% of veterans are Gulf War veterans. As we go forward, those percentages will change as the Greatest Generation passes into history. The most recent report from the *Joint Economic Committee Economic Snapshot: Connecticut Dec 2014* published in January 2015⁵ indicates that while our state added 3,900 new jobs in December, veteran unemployment (7%) continues to lag non-veteran unemployment (6.6%); and post-9/11 veteran unemployment (9.4%) continues to lag both the total CT population unemployment (6.4%) and the CT veterans population unemployment rates (7%).

According to the *Statistical Report on the Military Retirement System Fiscal Year 2013*⁶, there are 1,957,453 military retirees on the DoD roll, being paid more than \$54 billion pension annually. About 9% of total veterans are receiving a pension from the DoD.

Among CT's veterans, 12,454 are retired from the Department of Defense, or spouses of deceased military retirees; that is .63% of the total. Some 55% of that number are age 65 or greater; eligible for Social Security and Medicare; and may not be in the workforce. CT military retirees receive more than \$20 million in annual pension payments, and approximately \$4 million in tax

⁵ Accessed at <http://www.jec.senate.gov/public/index.cfm?p=StateByStateReport>

⁶ Accessed at <http://actuary.defense.gov/>

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

revenue for the state. Many of these retirees retired and stayed in CT before the state began taxing income in 1991. As the number of military retirees in our state declines, policy makers can expect to see reduced tax revenues for the foreseeable future if present policy remains unchanged.

The following table is from the Office of the Actuary, Department of Defense Report, on Military Retirees by Congressional District⁷:

Congressional District	Total DoD Retired	Total DoD Retired receiving a pension	Total DoD retirees receiving VA disability compensation	Survivors receiving DoD payment	Total DoD compensation (in thousands)
1 st	1,734	1,583	547	414	\$2,995
2 nd	5,182	4,970	1,631	822	\$11,206
3 rd	1,321	1,164	482	304	\$2,171
4 th	813	742	244	211	\$1,652
5 th	1,359	1,226	434	294	\$2,536
Total	10,409	9,685	3,338	2,045	\$20,560

In Dec 2014, the Military Officers Association of America produced its annual report *State Report Card for Military Families, Veterans, and Retirees*⁸. The issue highlighted three states - Iowa, Massachusetts, and Virginia - for

⁷ Accessed at <http://actuary.defense.gov/> By way of explanation, the monthly amount of retired pay (x1000) is before deductions for withholding taxes and allotments, but after deductions for survivor benefits, waivers, or offsets from the VA. The difference between the DoD total and the DoD receiving a pension is either reservists or CT National Guard who are under the age of 60. Disability compensation for DoD retirees comes from the Department of Veterans affairs, and is federal and state-tax free. A total military pension, that is, taxable pension income, is offset by the VA tax-exempt compensation. Survivor pay is paid to the widows of military retirees.

⁸ Accessed here <http://www.moaa.org/statereport/>

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

having a comprehensive "military-friendly" strategy. Fourteen states currently exempt military pensions from state taxes, and another nine do not tax income. In New England, Massachusetts does not tax military retirement income and New Hampshire does not have an income tax. Of our largest economic competitors in the northeast United States, Massachusetts, New Jersey, New York, and Pennsylvania do not tax military retirement income. Among the states to most recently adopt this policy are Iowa, Missouri, and New Jersey.

In addition, the Office of Legislative Research has published two recent pertinent reports, *2014-R-0289 Military Retirement Income and State Income Tax*⁹ dated Dec 23rd, 2014; and *2014-R-0261 State Income Taxes on Pension and Social Security Income*¹⁰ dated Nov 7, 2014.

What has been missing from the discussion about increasing the tax exemption for military retirees is the potential for veteran business creation. In the next 5 years, through 2020, approximately 1.5 million combat veterans will leave active service. In 2021, the first veterans who enlisted after 9/11 will be eligible for a 20-yr pension; in 2031 veterans will be eligible for a 30-yr pension. CT should account for 1% of the total, that is, some 15,000 veterans. If the rate of veteran-owned business start-ups remains constant, we can hope for an additional 3,000 businesses to be started by this cohort of returning veterans.

Statistically, CT underperforms in terms of retirees either coming to or staying in our state, as less than 2/3 of 1% of all retirees live in CT, versus 1% of all veterans living in CT. Given the competitive economic landscape, CT suffers by comparison to MA, NJ, NY, NH, and PA. Aside from the

⁹ Accessed here <http://www.cga.ct.gov/2014/rpt/pdf/2014-R-0289.pdf>

¹⁰ Accessed here <http://www.cga.ct.gov/2014/rpt/pdf/2014-R-0261.pdf>

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

goal of attracting and retaining military retirees in our state, part of any comprehensive military-friendly strategy has to include business creation. As we have seen earlier, CT is particularly fertile grounds for veterans to start a business. However, the incentive to attract and retain retirees who have a choice of states to start a business should include a full tax exemption for military pensions; otherwise the number of working-age military retirees in our state to dwindle in the coming years. Even if our state's veterans continue to start businesses at the rate of 1 out of 5, we face the prospect of a smaller pool of veterans overall from which to draw veteran business owners, in the absence of a strategy to attract and retain military retirees and veterans.

In conclusion, I truly believe that increasing the state's tax exemption of military pension's to 100% will serve to keep our state economically competitive and will be an important piece to articulating a comprehensive military-friendly strategy for retirees leaving active service through 2031. We believe an additional 3,000 or more veteran-owned businesses based in CT, based on current VOB gross revenue rates, would more than make up for the \$4 million in tax revenue the state would be giving up.

Finally, I offer this quote from George Washington to our first governor, Jonathan Trumbull, in a letter dated June 28th, 1781:

"Permit me Sir to add, that Policy alone in our Present Circumstances, seem to demand that every Satisfaction which can reasonably be requested, should be given to those Veteran Troops who, 'thro almost every Distress, have been so long and so faithfully serving the States"

Statement of Michael J. Zacchea LtCol USMC (ret) Feb 17th, 2015

We believe increasing the tax exemption on military pensions to 100% is eminently reasonable, an opportunity to attract and retain retirees and create social and economic value by growing our state's economy.

Thank you.